



Congresswoman Susan A. Davis

Serving California's 53rd Congressional District

The American Recovery and Reinvestment Act

College Tax Relief

"American Opportunity" Education Tax Credit

- Makes College and Secondary Education More Affordable
 - Receive a tax credit of up to \$2,500 to make college more affordable.
 - 40% of the \$2,500 tax credit is refundable, benefitting low-income families.
 - This tax credit can not be used if you also plan to use the lifetime learning credit or the deduction for tuition expenses.
 - You cannot use the credit for any college expenses paid using funds from a 529 Plan or Coverdell Savings Account.
 - It does not apply to graduate school.

The credit would phase out evenly for married couples filing joint tax returns with income between \$160,000 and \$180,000 and for others with income between \$80,000 and \$90,000. Couples with income above \$180,000 and others with income above \$90,000 would not get the credit.

What this means

The American Opportunity Tax Credit (AOTC) allows taxpayers to deduct the cost of college tuition and related expenses from the amount they owe in federal taxes. The amount of the tax credit depends upon the amount you pay in tuition and expenses. The maximum tax credit is \$2,500.

Tuition and Expenses	Percentage of Tax Credit	Maximum Tax Credit	Total Tax Credit Available
\$0 - \$2,000	100%	\$2,000	\$2,000
\$2,000 - \$4,000	25%	\$500	\$2,500
\$4,000+	0%	0	\$2,500

For example, if a taxpayer owed \$4,000 in taxes, but received the full AOTC of \$2,500, the taxpayer would only owe \$1,500 in taxes.

A percentage of the tax credit is also refundable. Instead of subtracting the tax credit from the amount of taxes you owe, you can choose to receive some of the credit as a "refund," which means you would receive a check from the IRS. Only 40% of the credit is refundable. Thus, the maximum "refund" you can receive is \$1,000. The refund option is ideal if the tax credit is larger than the amount you owe on your federal taxes.

Below is an example of how the refund might work. Talk with a tax professional to understand how the AOTC or refund might work best for you.

Tax Credit Earned	Taxes Owed	Refund Percentage	Refund Amount
\$2500	\$0	40%	\$1,000

When

- See a tax professional or your college for the latest information. The benefit from the credit applies when you file tax returns. This benefit is available in 2009 and 2010. The filing deadlines for these tax years are April 15, 2010 and April 15, 2011.

Eligibility

- Individuals earning less than \$80,000 a year are eligible
- Individuals earning more than \$90,000 are not eligible
- Individuals earning more than \$80,000 and less than \$90,000 are eligible for the tax credit based on a sliding scale. The more you earn, the smaller the tax credit.
- Couples filing jointly earning less than \$160,000 are eligible
- Couples filing jointly earning more than \$180,000 a year are not eligible
- Couples filing jointly that earn more than \$160,000 and less than \$180,000 will be eligible for the tax credit on a sliding scale. The more you earn, the smaller the tax credit

How to obtain the benefit

The tax credit is available when you file federal income taxes.

Questions or Help

IRS: 1-800-829-1040

IRS Telephone Assistance for people with hearing impairments: 1-800-829-4059 (TDD)

Office of Congresswoman Susan Davis (619) 280-5353